



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

January 8, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **MCKINLEY CHILDREN'S CENTER CONTRACT REVIEW - A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of McKinley Children's Center (McKinley or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with McKinley, a private non-profit community-based organization that provides services to clients in Service Planning Area 3. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Fifth District.

DMH paid McKinley on a cost-reimbursement basis between \$1.95 and \$4.66 per minute of staff time (\$117 to \$279.60 per hour) for services or approximately \$3 million for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether McKinley complied with its contract terms and appropriately accounted for and spent DMH Program funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

McKinley maintained documentation to support the mental health services billed and staff assigned to the County contract possessed the required qualifications. However, McKinley did not always comply with the County contract requirements and billed DMH \$140,066 in questioned costs. Specifically, McKinley:

- Did not complete some elements of the participants' Assessments and Client Care Plans in accordance with the County contract.
- Leased a facility from a related party at a higher rate than allowable. McKinley entered into a less-than-arms-length lease with The McKinley Home for Boys Foundation (Foundation). The Foundation was established for the exclusive purpose of supporting the Agency. Eight of the 11 Foundation's board members also served as McKinley's board members.

The County contract requires agencies to comply with the Office of Management and Budget (OMB) Circular A-122. The OMB Circular A-122 defines a less-than-arms-length lease as one under which one party to the lease agreement is able to control or substantially influence the actions of the other and allows agencies to charge only up to the amount that would be allowed had title to the property vested in the organization (actual costs).

McKinley operated multiple programs, including non-County programs, at the facility. The total amount of McKinley's lease dated July 2, 2002 was \$912,000 per year. Of the \$912,000, McKinley allocated \$136,527 to the DMH Program. The Agency indicated that the lease amount was based on fair market value of the fully depreciated facility. However, McKinley has not provided documentation to support the fair market value or actual costs incurred by the Foundation.

- Charged DMH \$3,539 in unallowable payroll expenditures.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with McKinley and DMH on June 1, 2009. In the attached response, the Agency agreed with most of the findings and recommendations, including repaying DMH \$3,539 in unallowable payroll expenditures. McKinley disagreed with our finding regarding a less-than-arms-length arrangement with the Foundation. However, based on OMB Circular A-122, McKinley and the Foundation's lease met the conditions of a less-than-arms-length lease. In addition, McKinley did not reject the 2002 lease increasing their rent by 280 percent, which further supports that

the lease agreement between McKinley and the Foundation is a less-than-arms-length transaction. DMH will follow up with the Agency to determine the amount disallowed.

We thank McKinley management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Gary E. Hammond, Chair, Board of Directors, McKinley Children's Center
Al Mason, Chief Executive Officer, McKinley Children's Center
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
MCKINLEY CHILDREN'S CENTER
FISCAL YEAR 2008-09**

BILLED SERVICES

Objective

Determine whether McKinley Children's Center (McKinley or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 35 billings totaling 3,383 minutes from 145,433 service minutes of approved Medi-Cal billings for July and August 2008. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 3,383 minutes represent services provided to 20 program participants.

Results

McKinley maintained documentation to support the billed service minutes. In addition, the Agency completed Progress Notes in accordance with the County contract. However, the Agency did not always complete some elements of the Assessments and Client Care Plans in accordance with the County contract requirements.

Assessments

McKinley did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for four (20%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients.

Client Care Plans

McKinley did not complete Client Care Plans for four (20%) of the 20 clients sampled in accordance with the County contract. Specifically:

- Three Client Care Plans were not signed by the parents/guardians or significant other indicating their participation in the development of the Client Care Plans as required.

- One Client Care Plan did not contain goals and planned interventions for each type of treatment provided.

Recommendation

1. McKinley management ensure that Assessments and Client Care Plans are completed in accordance with the County contract.

STAFFING LEVELS**Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether McKinley's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 14 (35%) of the 40 McKinley treatment staff who provided services to DMH clients during July and August 2008.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed McKinley management and reviewed the Agency's financial records. We also reviewed the Agency's August 2008 bank reconciliations for four bank accounts.

Results

McKinley maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether McKinley's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

McKinley's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We reviewed financial records and documentation for 31 non-payroll expenditure transactions totaling \$91,880 charged to the DMH Program between July 2007 and September 2008.

Results

Generally, McKinley's expenditures were properly documented and accurately billed. However, we sampled McKinley's monthly lease payments and noted that McKinley entered into a less-than-arms-length lease with The McKinley Home for Boys Foundation (Foundation). The Foundation was established for the exclusive purpose of supporting the Agency. In addition, eight (73%) of the 11 Foundation's board members also served as McKinley's board members.

The County contract requires agencies to comply with the Office of Management and Budget (OMB) Circular A-122. The OMB Circular A-122 defines a less-than-arms-length lease as one under which one party to the lease agreement is able to control or substantially influence the actions of the other and allows agencies to charge only up to the amount that would be allowed had title to the property vested in the organization.

McKinley operated multiple programs, including non-County programs, at the facility. The total amount of McKinley's lease dated July 2, 2002 was \$912,000 per year. Of the \$912,000, McKinley allocated \$136,527 to the DMH Program. The Agency indicated that the lease amount was based on fair market value of the fully depreciated facility. However, McKinley has not provided documentation to support the fair market value or actual costs incurred by the Foundation.

In addition, McKinley did not reject the 2002 lease increasing their rent from \$20,000 per month to \$76,000 per month, an increase of 280 percent. The 280 percent increase in rent further supports that the lease agreement between McKinley and the Foundation is a less-than-arms-length transaction.

Recommendations**McKinley management:**

2. Provide documentation to support the actual cost of the leased property and repay DMH for the excess amount over the actual costs, if applicable.
3. Ensure that a less-than-arms-length lease is charged only up to the actual costs of the property.

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to the DMH Program were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 14 items used by the DMH Program.

Results

McKinley's fixed asset depreciation costs charged to DMH were allowable, properly documented and accurately billed. In addition, McKinley appropriately safeguarded their fixed assets.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH Program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed the payroll expenditures totaling \$35,338 for 15 employees charged to the DMH Program for the pay period ending September 30, 2008. We also interviewed five employees and reviewed their personnel files.

Results

McKinley maintained personnel files as required. However, McKinley charged DMH \$3,539 in questioned costs. Specifically, McKinley charged DMH \$3,096 in payroll expenditures for a non-DMH employee and \$443 for a terminated employee's final pay without a timecard. In addition, six (40%) of the 15 timecards sampled did not include the signatures of the employees and their supervisors as required by the County contract.

Recommendations**McKinley management:**

4. Repay DMH \$3,539.
5. Ensure that salary expenditures are supported by timecard or time reports.
6. Ensure timecards and time reports are signed by the employees and their supervisors to certify the accuracy of the reported time.

COST REPORT**Objective**

Determine whether McKinley's Fiscal Year (FY) 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The Agency's total expenditures listed on McKinley's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.




Chief Executive Officer
Al Mason

Accredited By:



Accrediting Commission for Schools
533 Airport Blvd., Suite 200
Burlingame, CA 94010
Phone: (650) 696-1090

Member Agency:

- California Alliance of Child and Family Services
- Association of Children's Service Agencies
- Child Welfare League of America
- United Way 

September 11, 2009

Via Certified Mail

Wendy Watanabe, Auditor-Controller
County of Los Angeles, Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-3873

**RE: RESPONSE TO MCKINLEY CHILDREN'S CENTER
CONTRACT REVIEW
(REVISED PER COUNTY REQUEST)**

Dear Wendy Watanabe,

Please accept this letter as McKinley Children's Center's [hereinafter referred to as "McKinley"] response to the County of Los Angeles Department of Auditor Controller's [hereinafter referred to as "The County"] Fiscal Contract Compliance Review of McKinley's Department of Mental Health [hereinafter referred to as "DMH"] program. As an initial matter, please note that McKinley prides itself on their partnerships with counties such as Los Angeles and hopes for continued cooperative relationships. While McKinley generally agrees with the findings of The County, there is one major area in which McKinley adamantly disagrees. This area of disagreement is with regards to The County's finding that The McKinley Home for Boys Foundation [hereinafter referred to as "The Foundation"] is controlled or substantially influenced by McKinley, thus rendering any lease agreements between the two entities to be "less-than-arms-length." The majority of this response will be dedicated to addressing this issue.

I. RESPONSE TO MATTERS UNRELATED TO THE LEASE AGREEMENT

(A) **Billed Services.** During the contract review, The County made the following observations with regards to Billed Services:

- McKinley did not always complete some elements of the Assessments and Client Care Plans in accordance with the County contract requirements;

- McKinley did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis for four (20%) of 20 clients sampled on their Assessments.
- McKinley did not complete Client Care Plans for four (20%) of 20 clients sampled in accordance with the County contract.

McKinley agrees with The County's recommendation that Assessments and Client Care Plans are to be completed in accordance with The County contract. McKinley shall properly review and monitor documentation – via their supervision and Quality Assurance procedures – to ensure that Assessments and Client Care Plans are completed properly.

(B) **Payroll and Personnel.** The County made the following observations with regards to Payroll and Personnel:

- McKinley charged DMH \$3,539 in questioned costs. Specifically, McKinley charged DMH \$3,096 in payroll expenditures for a non-DMH employee and \$443 for a terminated employee's final pay without a timecard.
- Six (40%) of 15 timecards sampled did not include the signatures of the employees and their supervisors as required by The County contract.

McKinley agrees with The County's recommendation and thus will repay to DMH the \$3,539 in cost The County found to be questionable. Additionally, McKinley shall ensure that all time cards are properly reviewed and executed by their employees and supervisors.

II. RESPONSE TO LEASE ISSUE

(A) **The County's Findings**

During the contract review, The County questioned the lease payments McKinley charged to DMH. The property that is the subject of the lease is entirely owned by The Foundation, a California non-profit corporation independent of McKinley. Through a valid lease agreement, The Foundation leases the property to McKinley at fair market value based on an independent appraisal that was conducted in 2001.

The County now asserts that McKinley overcharged DMH for the lease of the real property because, in their opinion, the transaction was "less-than-arms-length." They base this finding on their opinion that The Foundation and McKinley are related parties and that The Foundation is controlled or substantially influenced by the McKinley. As reference, The County appears to be using the OMB Circular A-122, Attachment B, Section 43(c). This section of OMB Circular A-122 states:

Rental costs under "less-than-arms-length" leases are allowable only up to the amount...that would be allowed had title to the property vested in the non-profit-organization. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of a non-profit organization; (ii) non-profit organizations under common control through common officers, directors, or members; and (iii) a non-profit organization and a director, trustee, officer or key employee of the non-profit organization and his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a non-profit organization may establish a separate corporation for the sole purpose of owning property and leading it back to the non-profit organization.

During a conference held on June 1, 2009 to discuss their audit findings, The County also made reference to audited financial statements prepared by the Harrington Group in which The Foundation and McKinley were referred to as related parties. As will be shown in this response, the assumptions and findings made by The County with regards to The Foundation and McKinley are erroneous. Both corporations are in fact separate and distinct and one does not control the other.

(B) Background Information

McKinley is a California Non-Profit Corporation founded in 1900. For almost 110 years, McKinley has proudly served the community by providing a high level of child welfare services to children and families in need. McKinley currently provides residential care, mental health, foster care, adoptions and special education services. McKinley's is nationally accredited through the Council on Accreditation of Child and Family Services and the Western Association of Schools and Colleges. The rigorous accreditation process ensures that McKinley meets or exceeds nationally recognized best practice standards. McKinley contracts with various counties and school districts and maintains excellent relationships with them. One of the contracts that McKinley maintains is a cost reimbursement contract with DMH that is worth approximately \$3 million annually.

The Foundation was formed as a California Non-Profit Corporation in 1957 [see Attachment "A"]. The Foundation is a legally recognized California corporation and they follow all of the corporate formalities required by the California Corporations Code. The purpose of The Foundation is to support McKinley in their mission, but to do so in a way that does not squander the resources of The Foundation. Another reason The Foundation was formed was to provide oversight and ensure that needed financial resources are maintained. The Foundation owns all of the real property and leases it to

McKinley at the prevailing fair market rate. Simply put, The Foundation's primary focus is to manage the real property and various investments while McKinley's focus is to provide the contracted services to children and families.

Both McKinley and The Foundation have always been transparent about their corporate structure and their missions. The respective corporate structures have been in existence for over 50 years and had never been called into question - despite numerous audits and reviews - until now.

(C) There is no documentation from either McKinley or The Foundation describing the relationship of the two parties as related

The first point that must be considered is that neither corporation refers to themselves as related to the other and there is no documentation from either corporation to show any relation. Clearly if the intent was for both parties to be related, this would be reflected in some official documentation such as the Articles of Incorporation or the corporate By-Laws of one or both corporate entities. Additionally, there is no documentation in the minutes of either Board of Directors' meetings indicating that the parties are related. The Articles of Incorporation and the by-laws of each corporation clearly show the intent to create two separate entities each having a separate and distinct purpose.

(D) The Reliance on Statements Made In Audited Financial Statements Are Taken Out of Context

During the aforementioned conference, The County continually cited McKinley's audited financial statements in which it was stated that The Foundation and McKinley are related parties. The County asserted that this was proof that the lease agreement between the Foundation and McKinley were less-than-arms-length. However, the findings by the independent auditors were taken out of context by the County. The independent financial audit was conducted by The Harrington Group, a well-respected accounting firm that specializes in non-profit accounting. The finding of The Harrington Group is that there is a working relationship between The Foundation and McKinley and that The Foundation exists to support McKinley. The finding was not made to indicate that the lease agreement between McKinley and The Foundation is less-than-arms-length. Attached is a Declaration from Job Quesada, a Partner of the Harrington Group and a highly experienced Certified Public Accountant, who is very familiar with both McKinley and The Foundation [see Attachment "B"]. Mr. Quesada personally oversaw the independent financial audit in question. As can be seen in his Declaration, Mr. Quesada has not seen any evidence of that would be indicative of The Foundation being controlled by McKinley or any other corporation. If The County is going to give great weight to the comments made by Mr. Quesada in the audited financial statements, then they must give

equal weight to the statements made by Mr. Quesada – which is made under penalty of perjury – in the attached Declaration.

(E) The Foundation and McKinley are Separate Corporations

The County continually disregards the fact that The Foundation and McKinley are separate California non-profit corporations. Each corporation has its own separate and distinct Articles of Incorporation and corporate by-laws. All corporate formalities required by the California Corporations Code are followed by both corporations. Additionally, the Boards of each corporation meet separately. The records and documents reviewed by each corporation during their respective Board meetings are completely different. The Foundation Board meetings are centered around the review the investments that The Foundation has made and to discuss strategies to keep The Foundation assets intact and growing. This focus is very much different from that of the Board meetings that McKinley holds. In those meetings, the Board reviews and discusses the financial condition of McKinley as well as issues related to the program services that McKinley offers. This includes a review of program quality, serious incidents, and changes in services delivery. This clear distinction of meeting agenda is clearly not indicative of organizations that are related.

(F) The Board of The Foundation is not Controlled or Influenced by McKinley

While The County correctly stated that 8 out of the 11 members of The Foundation currently sit on the Board of McKinley, their assumption that this leads to control of The Foundation by McKinley is incorrect. The County has failed to consider the following:

- (1) Per the California Corporations Code, directors who serve on non-profit boards have a legal responsibility to act in good faith and in a manner the director believes to be in the best interests of the corporation. This legal responsibility includes the responsibility to protect the assets of the corporation, act in the best interests of the corporation and to not place the interests of any other person or corporation ahead of the interests of the corporation to which they serve as a director. Therefore, the directors of The Foundation have a legal duty to uphold the interests of The Foundation and act in The Foundation's best interests, and are prohibited by law to allow another corporation to exert undue influence over them. Attached for your review are Declarations, all executed under penalty of perjury, from all of The Foundation Directors stating that they are not now nor ever have been under the control or influence of McKinley [see Attachment "C"]. Clearly the County cannot suggest that The Foundation is controlled or influenced by

McKinley when the very same directors they are questioning have stated, under penalty of perjury, that there is no control over them by McKinley.

- (2) In all Boards, the authority to set agenda items, accept motions, and calls for voting lie with the officers of the Board. Simply stated, the officers hold the greatest amount of authority and control over a Board. Looking at the officer structure of each Board in this matter, it is clear that there is no influence of The Foundation by McKinley. There is only one person who serves as an officer on both The Foundation Board and McKinley's Board. This person is the current Secretary of each Board. Obviously, that singular member does not constitute a majority of the officers on either Board. Thus, there is no way The County can allege that the Foundation is controlled by McKinley when there is only one common officer between the two boards.
- (3) As stated in the Background Information section, McKinley and The Foundation have co-existed in their respective forms since 1957. Both entities have always been transparent in their dealings and during any reviews by regulatory agencies. No regulatory agency has ever found these two corporations to be related until now. In fact, during an Auditor-Controller review of McKinley's Department of Children and Family Services contract in for the Fiscal Year Ending 2007, Al Fong, Senior Accountant Auditor for The County was specifically asked if he had any concerns with how The Foundation and McKinley interacted with each other. Mr. Fong told both Michael Frazer, Chief Financial Officer for McKinley, and Paulette Duncan, Accounting Manager for McKinley, that The County has no concerns. Clearly if Mr. Fong believed that the entities were related parties he could have disclosed his opinion to McKinley's Accounting staff when queried about it. It seems rather odd that two auditors from the same County office would look at the same set of facts regarding McKinley and The Foundation and come back with completely opposite findings.

(G) The Conduct By The Foundation and McKinley are not indicative of related parties

The County also failed to consider that the transactions and conduct of The Foundation and McKinley clearly show that the two parties are not related. Consider the following facts:

- (1) The Foundation does not contribute to any operational expenses of McKinley. Clearly, if the parties were related, McKinley would tap into the abundant resources of The Foundation for day to day expenses related to program operations. The reality is that McKinley does not in any way access these

resources - even in difficult times such as these where in the past fiscal year (FYE 2009) McKinley's net revenue over expenses were well short of their budgeted goal.

- (2) In the FYE 2008, McKinley undertook a major expense by updating their aging telephone systems. The total cost of this project was over \$113,000. McKinley paid for this project using their resources. In fact, there were numerous major initiatives that McKinley paid for during the FYE 2008 without The Foundation's assets being touched. These expenses were:

<u>Initiative</u>	<u>Total Cost</u>
• Purchase of 2 vehicles	\$27,734
• Educational Software	\$69,686
• Mental Health Software	\$5,000
• Upgrades to Network Systems	\$15,556
• Purchase of Live Scan Machine	\$10,995
• New Web Site for Training	\$18,466
• Equipment Upgrades in Training Room	\$8,841

Including the cost of the new telephone system, McKinley spent almost \$270,000 in FYE 2008 to complete these initiatives. If The Foundation and McKinley were related parties as The County suggests, then why would McKinley not access The Foundation's resources for these projects? The reality is that The Foundation resources are overwhelmingly used ONLY for improvements and maintenance of the real property which is completely owned by The Foundation.

- (3) Many of the programs that McKinley operates runs at a deficit due to funding that does not provide for the true cost of care. The County, despite the increased cost of providing care, continually adds unfunded mandates to providers and does not raise rates to at least cover inflation. McKinley makes up this large gap in funding from various sources including private donations. If The Foundation and McKinley were related parties as alleged by The County, clearly McKinley would use Foundation resources to help off-set the program deficits. However, The Foundation has not contributed to any program expenses.
- (4) In 2001, The Foundation conducted an appraisal of the property in order to determine fair market value and to charge McKinley accordingly for the lease of the property. As a result of the appraisal, the lease payment went from \$20,000 per month to \$76,000 per month - an increase of 280 percent. Accepting the

result of the lease as fair market value for the property, McKinley paid the increased lease amount. If McKinley truly controlled The Foundation as alleged by The County, McKinley could simply reject the new lease amount and pay whatever they chose to pay, or even pay nothing at all. Paying a significantly higher lease amount is clearly not conduct indicative of McKinley controlling The Foundation.

III. CONCLUSION

For the reasons mentioned above, it is clear that The Foundation and McKinley are not related parties. Therefore, the lease payments charged to DMH by McKinley is justified and is consistent with the accounting standards in the OMB A-122 Circular. Thank you for your consideration.

Sincerely,



ANIL VADAPARTY, ESQ.
Chief of Administration

CC: Al Mason, *Chief Executive Officer*
Michael Frazer, *Chief Financial Officer*
Susan Kim, *Principal Accountant-Auditor*
Supervisor Don Knabe, *Chairman*
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

ATTACHMENT A

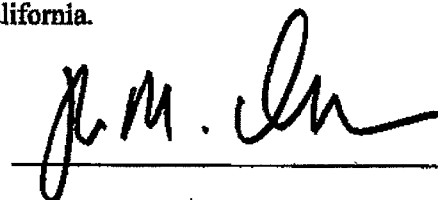
DECLARATION OF JOB M. QUESADA

I, JOB M. QUESADA, declare as follows:

1. I am a Partner of the Harrington Group. I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.
2. I am a Certified Public Accountant. I am a member of the California Society of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. I have over 17 years of experience in Public Accounting. My firm handles over 200 audits of non-profit organizations annually. Of those 200 audits, approximately 150 audits are conducted under the OMB Circular A-133. I am personally responsible for approximately 100 audits per year of non-profit corporations and approximately 55 audits per year under the OMB Circular A-133.
3. I have conducted audits of the McKinley Home for Boys Foundation (The Foundation) and have prepared Audit Reports for The Foundation for the past eight years. To prepare the Audit Reports, I conduct a thorough review of The Foundation's financial statements and major transactions as well as review minutes from their Board of Directors' meetings. I am very familiar with The Foundation, their mission and their operations.
4. In my opinion, which is based on my review of transactions, financial statements and Board of Directors' minutes as well as my overall familiarity with The Foundation, there have not been any actions that have taken place which would be indicative of The Foundation being controlled by any other corporation including McKinley Children's Center. In my opinion, and based on my experience, the Directors of The Foundation are free has been free to make any decisions they deem necessary to fulfill the mission of The Foundation.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on August 27, 2009, at San Francisco, California.

A handwritten signature in black ink, appearing to read "J.M. Quesada", written over a horizontal line.

Job M. Quesada

ATTACHMENT B

DECLARATION OF NEIL BARTON

I, **NEIL BARTON**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **PRESIDENT** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 35 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on Aug. 20, 2009, at San Plumas, California.

Neil J. Barton

[Signature]

DECLARATION OF JAMES E. GREENE

I, **JAMES E. GREENE**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **VICE PRESIDENT** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 50 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on 8/20/09, 2009, at Fullerton, California.


[Signature]

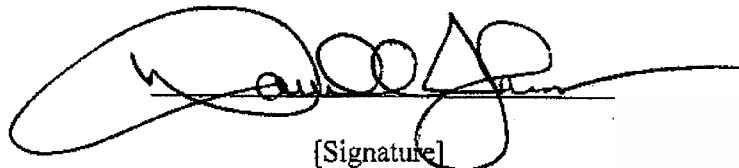
DECLARATION OF DARRELL JOHNSON

I, **DARRELL JOHNSON**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.
2. I currently serve as the **TREASURER** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately SIX years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.
3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on Aug. 20, 2009, at Glendora, California.



[Signature]

DECLARATION OF SUSAN TYRA

I, **SUSAN TYRA**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **ASSISTANT TREASURER** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately one year. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on 8-20, 2009, at Upland California.

Susan tyra

[Signature]

DECLARATION OF CHARLES PADDOCK

I, **CHARLES PADDOCK**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.
2. I currently serve as the **SECRETARY** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 20 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.
3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on August 25, 2009, at San Diego, California.

Charles W. Paddock Jr.

[Signature]

DECLARATION OF FRED TURK

I, **FRED TURK**, declare as follows:


1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **ASSISTANT SECRETARY** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 7 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on Aug 20, 2009, at Fullerton, California.

A handwritten signature in black ink, appearing to read "Fred Turk", written over a horizontal line.

[Signature]

DECLARATION OF JEFFREY CONKLIN

I, **JEFFREY CONKLIN**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **DIRECTOR** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 5 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on August 25, 2009, at Ontario, California.

A handwritten signature in black ink, appearing to read "Jeffrey M. Conklin", written over a horizontal line.

[Signature]

DECLARATION OF GARY HAMMOND

I, **GARY HAMMOND**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **DIRECTOR** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 6 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on 25 Aug, 2009, at SAN DIMAS California.



[Signature]

DECLARATION OF MAUREEN TURK

I, **MAUREEN TURK**, declare as follows:

1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **DIRECTOR** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 3.5 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on 20 August 2009, at Fullerton California.


[Signature]

DECLARATION OF MARY ANN KISTLER

I, **MARY ANN KISTLER**, declare as follows:

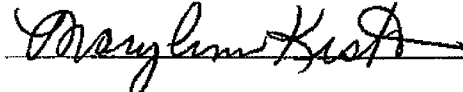
1. I am a member of the Board of Directors for the McKinley Home for Boys Foundation ("The Foundation"). I have personal knowledge of the following facts and, if called as a witness, I could and would competently testify thereto.

2. I currently serve as the **DIRECTOR** for The Foundation. I have been a member of the Board of Directors of The Foundation for approximately 2 years. I am aware of my fiduciary responsibilities to The Foundation. This responsibility includes placing the interests of The Foundation ahead of any other interests.

3. During my service on the Board of The Foundation, I have never been influenced by anyone from McKinley Children's Center ("McKinley") or any other person or corporation as it relates to the discharge of my fiduciary duties. I understand that even though The Foundation exists to serve McKinley, The Foundation operates in an independent manner and is not under the control of McKinley. The Foundation has always been and remains free to reject any requests made by McKinley for funding assistance or otherwise.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on Aug 19, 2009, at La Verne California.


[Signature]